CONTRACT #6 RFS # 318.65-128

Department of Finance & Administration Bureau of TennCare

VENDOR: First Health Services Corporation



STATE OF TENNESSEE BUREAU OF TENNCARE 310 Great Circle Road NASHVILLE, TENNESSEE 37243

July 17, 2008

Mr. Jim White, Director Fiscal Review Committee 8th Floor, Rachel Jackson Bldg. Nashville, TN 37243

Attention: Ms. Leni Chick

RE: Bureau of TennCare

Contracts Submitted for Fiscal Review

Dear Mr. White:

The Department of Finance and Administration, Bureau of TennCare, is submitting for consideration by the Fiscal Review Committee amendment #1 to ACS State Healthcare, LLC, RFS 318.65-216. This competitively bid contract was awarded to ACS to provide a Call Center for TennCare enrollees to address their concerns regarding assistance in receiving necessary medical care, accessing information as specified by TennCare for follow-up, and resolution of medical issues and appeals. The payment methodology in the current contract is based on a per call rate, however, during the course of this contract, it has become apparent that occasional system applications modifications are necessary to accommodate changes to the TennCare State Plan or any waiver amendments. Therefore, TennCare is amending the contract to establish language allowing these modifications and provide funding to support the changes requested.

Additionally, TennCare is submitting amendment #5 to First Health Services Corporation, the competitively awarded contract for TennCare's Pharmacy Claims Processing and Preferred Drug List Development and Management. Per language in the Request for Proposal and eventual awarded contract, TennCare is exercising our option to extend this contract for an additional six months. The payment rates established in the previous referenced RFP have been negotiated and reduced, therefore less funds will be spent on the continuation of services for this six month period of time. No additional funding is required to proceed with this extension of services.

RECEIVED

JUL 1 8 2007

FISCAL REVIEW

Mr. Jim White July 17, 2008 Page 2

The three Behavioral Health Organizations (BHOs) listed below are being amended to establish rates that will be in effect for the remainder of the Fiscal Year. Due to the fact that the rates for medical and behavioral services are provided to TennCare through the services of an independent actuary, TennCare was unable to provide these newly established rates in time to the Contractor for review prior to completion of the previous term amendment. Therefore, this amendment proposes the actual, agreed upon rates that will be in effect for the remainder of FY '08.

Premier Behavioral Health Systems of TN, LLC
Tennessee Behavioral Health, Inc.
Tennessee Behavioral Health, Inc.
FA-01-14662-19
FA-05-16089-09
FA-01-14661-18

The Bureau of TennCare would greatly appreciate the consideration and approval of these amendments by the Fiscal Review Committee.

Sincerely,

Scott Pierce

Chief Financial Officer

cc: Darin J. Gordon, Deputy Commissioner
Alma Chilton, Contract Coordinator

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2006	\$8,487,366.00	\$8,487,366.00			—	7 Barren Krasil		\$16,974,732.00
2007	\$2,775,350.00	\$2,775,350.00		JUI	- 1 8	2007	-	\$5,550,700.00
2008	\$1,475,962.00	\$1,475,962.00		FISCA	i De	VIEW	g:	\$2,951,924.00
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TOTAL:	\$18,950,000.00	\$18,950,000.00						\$37,900,000.00
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FY .	Prior Amendments	ÖNLY	Nashv	ille, TN 37228-1				
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2008	\$2,951,924.00		paidth	at is not otherwise	encumbi	red to pay	pbligati	ons previously incurred)
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Procuremen	nt Process Sümmary	(complete for selection by A	Iternative	Method, Competi	tive Nego	tiation, Non	Comp	etitive Negotiation, OR Other)

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED	
Commissioner of Finance & Administ	
	ration
Date:	

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS	REQUIRED		
1) RFS# 318.65-128			
2) State Agency Name: Department of Finance and Administration, Bureau of Tenn	Care		
EXISTING CONTRACT INFORMATON			
3) Service Caption : Point (POS) Pharmacy Claims Processing and Preferred D	rug List Development and Management		
4) Contractor: First Health Services Corporation			
5) Contract# FA-04-15757-00			
6) Contract Start Date :	January 1, 2004		
7) Current Contract End Date IF all Options to Extend the Contract are Exercised:	December 31, 2007		
8) Current Total Maximum Cost IF all Options to Extend the Contract are Exercised :	\$37,900,000.00		
PROPOSED AMENDMENT INFORMATION			
9) <u>Proposed</u> Amendment #	5		
10) Proposed Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	January 1, 2008		
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	June 30, 2008		
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised	\$37,900,000.00		
13) Approval Criteria: X use of Non-Competitive Negotiation is in the best interest (select one)	est of the state		
only one uniquely qualified service provider able to pro	vide the service		
14) Description of the Proposed Amendment Effects & Any Additional Service :			
Per language in the Request for Proposal and eventual awarded contract, TennCare has the additional period(s) of time to continue the current services provided by the Contractor. This asix month period of time at which time TennCare will have released RFP and awarded a new Management and Preferred Drug List services. The payment rates established in the previous	amendment will extend the contract for a contract to provide Pharmacy		

and reduced, therefore less funds will be spent on the continuation of services for this six month period of time.

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15) Explanation of Need for the Proposed Amendment :
This contract currently has an end date and rates that go through December 31, 2007. In an effort to ensure continuation of Pharmacy Management services, TennCare is amending to extend and establish rates for this extended period of time.
16) Name & Address of Contractor's Current Principal Owner(s) : (not required if proposed contractor is a state education institution)
First Health Services Corp. Teresa R. DiMarco, President 4300 Cox Road Glen Allen, VA 23060
17) Documentation of Office for Information Resources Endorsement : (required only if the subject service involves information technology)
select one: X Documentation Not Applicable to this Request Documentation Attached to this Request
18) Documentation of Department of Personnel Endorsement : (required only if the subject service involves training for state employees)
select one: X Documentation Not Applicable to this Request Documentation Attached to this Request
19) Documentation of State Architect Endorsement : (required only if the subject service involves construction or real property related services)
select one: X Documentation Not Applicable to this Request Documentation Attached to this Request
20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :
This contractor was identified as a result of Request for Proposal (RFP), a competitive process initiated by the Department of Finance and Administration, Bureau of TennCare. These amended changes are brought about as a result of approaching contract end date and the need to continue for additional period of time.
21) Justification for the Proposed Non-Competitive Amendment :
First Health Services Corporation was identified by competitive means as the contractor to provide Point of Sale (POS) Pharmacy Claims Processing and Preferred Drug List Development and Management. The changes in this amendment will provide extension of term as well as reduced monthly rates to support this extension. This amendment does not necessitate any additional dollars. The Bureau of TennCare would appreciate the approval of this amendment by F&A.
REQUESTING AGENCY HEAD SIGNATURE & DATE: (must be signed & dated by the <u>ACTUAL</u> procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)
Agency Head Signature Date

AMENDMENT #5 TO FA 04-15757-00, THE CONTRACT BETWEEN THE STATE OF TENNESSEE, DEPARTMENT OF FINANCE AND ADMINISTRATION, BUREAU OF TENNCARE AND

FIRST HEALTH SERVICES CORPORATION

This Amendment, by and between the State of Tennessee, Department of Finance and Administration, TennCare Bureau hereinafter referred to as the "State" or "TennCare" and First Health Services Corporation, hereinafter referred to as the "Contractor," is for the provision of Pharmacy Management and Preferred Drug List Services, as further defined in the "SCOPE OF SERVICES" is amended as follows:

- 1. Delete Section B.1 in its entirety and replace with the following:
 - B.1. Contract Term. This Contract shall be effective for the period commencing on January 1, 2004 and ending on June 30, 2008. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.
- 2. Delete Section C.3. in its entirety and replace with the following:
 - C.3. Payment Methodology. The Contractor shall be compensated based on the Service Rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service or project milestones defined in Section A. The Contractor shall be compensated based upon the following Service Rates:

Monthly Fee Year 1 \$484,500.00
Monthly Fee Year 2 \$346,750.00
Monthly Fee Year 3
\$351,500.00 (01/01/2006 – 06/30/2006)
\$297,900.00 (07/01/2006 – 12/31/2006)
Monthly Fee Year 4
\$297,900.00 (01/01/2007 – 12/31/2007)
Monthly Fee Year 5
\$305,347.00 (01/01/2008 – 12/31/2008)

In addition to the monthly fee, TennCare will compensate the Contractor as provided herein in accordance with specified rates in Attachment B (Revised) and Attachment C. The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Such invoices shall at a minimum, include: the numbers and types of pharmacy claims adjudicated; separately itemized actual payments made to pharmacy service providers for each pharmacy claim adjudicated; subtotal for all pharmacy claims adjudicated;

subtotal of all actual payments; the comprehensive monthly fee in effect, and the total amount due to the Contractor for the period invoiced.

3. Delete Revised Attachment B (Revised July 1, 2006) and replace with Revised Attachment B (Revised September 1, 2007).

The other terms and conditions of this contract not amended hereby shall remain in full force and effect.

IN WITNESS WHEREOF:		
FIRST HEALTH SERVICES CORPORATION:		
Charles W. Byrd, Jr., Chief Financial Officer	Date	
DEPARTMENT OF FINANCE AND ADMINISTRATION BUREAU OF TENNCARE:		
M. D. Goetz, Jr., Commissioner	Date	
APPROVED:		
DEPARTMENT OF FINANCE AND ADMINISTRATION:		
M. D. Goetz, Jr., Commissioner	Date	
COMPTROLLER OF THE TREASURY:		
•		•
John G. Morgan, Comptroller of the Treasury	Date	

ATTACHMENT B (REVISED 09/01/2007) TennCare Contract Amendment Pricing

			Pre-			Call Center Rates (4)	r Rates (4)	
			Operational Call Center	Monthly	Fee Per Non-	Grier-co	Grier-compliant Clinical Prior Authorizations	al Prior
Initiative	Sub- Initiative	Implementation Fee (1)	Fee (per Week) (2)	Administrative Fee (3)	Clinical Resolution	Rx Technician	Pharmacist	Physician
Administrative Edits	DEA Number Edit	79,514	N/A	1	3.55	N/A	N/A	N/A
	Prescriber Last Name Edit	145,079	N/A	1	3.55	N/A	N/A	N/A
	Drug to Gender Edit	980'69	N/A	t	N/A	A/N	15.45	45.70
	Gross Amount Due Edit	165,362	N/A	1	3.55	N/A	N/A	N/A
	Maximum Dollar Amount Edit	980'69	N/A	ı	N/A	N/A	15.45	N/A
	Unit of Measure Edit	121,926	N/A	1	N/A	7.54	\$15.83	\$46.84
	MAC/DAW	95,157	11,015	,	N/A	7.36	N/A	N/A
Clinical Edits	Drug Dosage & Dose Optimization Edit	78,397	10,246	•	N/A	7.36	15.45	45.70
	Drug Duplication of Therapy Edit	229,233	55,326	•	N/A	7.36	15.45	45.70
	Drug-Drug Interaction Edit	224,763	47,130	ı	A/N	7.36	15.45	45.70

	Drug Duration Edit	78,397	2,049	1	N/A	7.36	15,45	45.70
	Drug-to- Disease Edit	78,397	4,098	1	A/A	7.36	15.45	45.70
	OTC Class Elimination	75,045	N/A		3.55	N/A	N/A	N/A
Step Therapy		215,080	45,080	1	N/A	7.36	15.45	45.70
Script Limit	Hard Limit for	159,231	29,870	1	3.55	N/A	N/A	N/A
Salts	Exempts							
Tiered Co-pay Edits	Edits	173,445	1,102		3.55	N/A	N/A	N/A
MAC		49,645	N/A	1	3.55	N/A	N/A	N/A
Additional	1 Clinical Pharr	1 Clinical Pharmacist based in Nashville	shville	14,081				
Dedicated Staff (5)	2 Provider Educator Ph Nashville	cator Pharmacists based in	based in	23,375				
	1 Pharmacy Re	1 Pharmacy Research Scientist		16,362				
	1 Data Quality Analyst	Analyst based in Nashville	ashville	9,635				
	1 Systems Liais	1 Systems Liaison based in Richmond	puou	13,160				
	1 Contract Man	1 Contract Manager based in Richmond	puomu	13,193				
	1 Business Ana	1 Business Analyst based in Richmond	mond	7,499				
	1 Reform Proje	1 Reform Project Manager based 25% in	25% in	12,813				
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	2 Mail Room Clerks (ongoing)	lerks (ongoing)		7,574				
RetroDUR (Takeover from UT)	eover from			47,919				
Equipment				ı				
Totals				165,611.00				

v

Notes:

- mplementation of the phase in which the edit resides. Other subcomponents of the implementation fee are payable upon TennCare receipt (1) The Call Center Planning and Development deliverable is payable for each initiative upon notice from TennCare to begin and approval of the associated deliverable. (see Attachment C)
- go live" date. These fees shall begin on the planned "go live" date and cease when the edit actually does "go live" (i.e. hard-edits become (2) Pre-operational call center fees are payable for each initiative (and sub-initiative, as applicable) in the event that TennCare delays the groups of edits, the "go live" date shall be communicated in writing by TennCare to First Health no less than 6 weeks prior to the intended specified in the contract as the "date to complete implementation", except as it relates to the Script Limit and Tiered Co-pays. For these fully operational and call center rates become effective) or when TennCare gives notice to cancel the initiative. The "go live" date is do live" date.
- 3) Monthly administrative fees are payable for each initiative (and sub-initiative, as applicable) upon First Health Services' written notice to FennCare that the initiative is operational or that additional dedicated staff are hired, as applicable. Partial months shall be prorated.
- (4) PDL related prior authorizations are covered under the base contract. For the initiatives added via Amendment Two, prior authorizations will be billed on a "per resolution" basis. If multiple calls are required to resolve a given issue (e.g. issue a Prior Authorization), the Contractor will only bill for a single unit of the highest level call that took place.
 - (5) Any System Change Requests made by TennCare and not explicitly described in this Amendment will be billable to TennCare at a rate of \$150 per hour.

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2007	\$2,775,350.00 \$2,775,350.00										\$5,550,7	00.00
2008	\$1,4	\$1,475,962.00 \$1,475,962.00				· .					\$2,951,9	24.00
Total: \$18,950,000.00 \$18,950,000.00						\$37,900,000.00						
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Address. Phone	(615) 50	at Circle Road 7-6415	Nasnv	ille, IN		stheiriscal Year Funding STRICTLY LIMITED?						
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2007	\$4,251,312.00						\$8,502,624	1.00		
Total	\$18,950,000.00	\$18,950,000.00	\$37,900,000.00							
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2004	\$1,453,500.00	\$1,453,50	0.00				•	\$2,907,000
2005	\$4,757,822.00	\$4,757,82	2.00	OC	R REL	EASEL)	\$9,515,644.
2006	\$8,487,366.00	\$8,487,36	6.00		MAY 1	7 2005		\$16,974,732.
2007	\$4,251,312.00	\$4,251,31	2.00	-	WIPAT I	. 2003		\$8,502,624.
				TC	ACC	OUNTS	3	
Total	\$18,950,000.00	\$18,950,00	0.00					\$37,900,000.
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FY: 2006	\$4,589	9,100.00	\$12,385,632.0		714 3 2 2 - 2	<u> </u>	- 3 H	
FY: 2007	\$2,309	9,800.00	\$6,192,824.0		May 13 L			
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State Ag	ency: Department o	f Finance and .	Administra	ation	Divisi	THE PERSON		Bureau of	TennCare			
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First Hea	ith Services Corporatio	n			X /	/- \-	540849793	03				
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2005	\$2,693,550.00	\$2,693	3,550.00							\$5	,387,100	00.0
2006	\$2,294,550.00		1,550.00							\$4	589,100	00.0
2007	\$1,154,900.00	\$1,154	1,900.00	 	<u> </u>		<u>. </u>	,		\$2	,309,800	00.0
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Phone	Nashville, TN (615) 532-1362	•			isii	ne E	iscal Year I	unding S	TRIGTEY EI	VITED?		
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END	DATE > 12/31/200		And the second second	·····································	the appr	opria	stion from whi	ch this oblig	ation is require gations previou	d to be p	aid that i	s
FY: 2004	\$2,9	07,000.00	· • · · · ·				· · · · · · · · · · · · · · · · · · ·	, -3 113	F. • *******			
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	Point of Sale (POS) Pharmacy Claims Processing and Preferred Drug List Development and Management								
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	2004	\$1,453,500.00	\$1,453,500.00	,				\$2,907,000.00	
	2005	\$2,493,750.00	\$2,493,750.00					\$4,987,500.00	
	2006	\$2,094,750.00	\$2,094,750.00			<u></u>		\$4,189,500.00	
	2007	\$1,054,500.00	\$1,054,500.00		,			\$2,109,000.00	
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GENERAL ASSEMBLY OF THE STATE OF TENNESSEE FISCAL REVIEW COMMITTEE

320 Sixth Avenue, North - 8th Floor NASHVILLE, TENNESSEE 37243-0057 615-741-2564

Rep. Charles Curtiss, Chairman

Representatives

Harry Brooks Curt Cobb

Mary Pruitt Donna Rowland

Dennis Ferguson

Frank Niceley

Craig Fitzhugh, ex officio Speaker Jimmy Naifeh, ex officio

David Shepard

Curry Todd

Sen. Don McLeary, Vice-Chairman

Senators

Mae Beavers

David Fowler Steve Southerland

Jim Bryson Steve Cohen

Douglas Henry, ex officio

Lt. Governor John S. Wilder, ex officio

MEMORANDUM

TO:

The Honorable Dave Goetz, Commissioner

Department of Finance and Administration

FROM:

Charles Curtiss, Chairman

Don McLeary, Vice-Chairman

DATE:

July 31, 2006

SUBJECT:

Contract Comments

(Contract Services Subcommittee Meeting 6/20/06)

RFS# 318.65-128

Department: Finance & Administration/Bureau of TennCare

Contractor: First Health Services Corporation

Summary: The vendor provides support Point of Sale (POS) Pharmacy Claims Processing and Preferred Drug List Development and Management. amendment extends the current contract for one additional year through December 31, 2007. The maximum liability remains the same at \$37,900,000. The rates have been reduced to reflect the reduction in claims volume associated with the reduction in the TennCare population.

Maximum liability: \$37,900,000

Maximum liability with amendment: \$37,900,000

After review, the Fiscal Review Committee voted to recommend approval of the contract amendment provided the Bureau includes a copy of the DUR Committee minutes with the Quarterly Progress Reports.

cc:

The Honorable Darin Gordon, Deputy Commissioner, Bureau of TennCare

Mr. Robert Barlow, Director, Office of Contracts Review



GENERAL ASSEMBLY OF THE STATE OF TENNESSEE FISCAL REVIEW COMMITTEE

320 Sixth Avenue, North - 8th Floor NASHVILLE, TENNESSEE 37243-0057 615-741-2564

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Speaker Jimmy Naifeh, ex officio

Sen. Don McLeary, Vice-Chairman

Senators

Mae Beavers Jim Bryson

David Fowler Steve Southerland

Steve Cohen

Douglas Henry, ex officio

Lt. Governor John S. Wilder, ex officio

MEMORANDUM

TO:

The Honorable Dave Goetz, Commissioner

Department of Finance and Administration

FROM:

Charles Curtiss, Chairman

Don McLeary, Vice-Chairman

DATE:

January 31, 2006

SUBJECT:

Contract Comments

(Contract Services Subcommittee Meeting 1/30/06)

RFS# 318.65-128

Department: Finance & Administration/Bureau of TennCare

Contractor: First Health Services Corporation

Summary: The vendor provides support Point of Sale (POS) Pharmacy Claims Processing and Preferred Drug List Development and Management. amendment reflects the changes to the TennCare Pharmacy Benefits Program by the Grier Revised Consent Decree of August 3 and August 9, 2005. This amendment does not change the term of the contract nor the maximum liability.

Maximum liability: \$37,900,000

Maximum liability with amendment: \$37,900,000

After review, the Fiscal Review Committee voted to recommend approval of this contract amendment.

cc:

Dr. J.D. Hickey, Deputy Commissioner, Bureau of TennCare

Mr. Robert Barlow, Director, Office of Contracts Review